

“Proposal Development for Horizon 2020”

Budget Preparation

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Costs and eligibility

- A grant is not the lottery.
You may need to contribute to the budget.
- All costs by partners.
- Only "Eligible" Costs.
- Costs have to be:
 - Actual
 - Real (not estimated)
 - Borne by beneficiary
 - During project duration
 - Estimated in the budget
 - identifiable and verifiable
 - Compliant with national laws on taxes, labour and social security
 - Reasonable & justified



Understanding the Costs

ELIGIBLE COSTS

DIRECT (Actual)

- **Personnel costs** (incl. employer's costs)
- Travel
- Equipment (depreciation rules apply)
- Goods, works and services
- Subcontracting

INDIRECT (25% on all Direct Exp. Subcontracting)

- Overhead

INELIGIBLE COSTS

- Deductible VAT (Note: non deductible/non identifiable VAT is eligible)
- Losses due to fluctuation of exchange rates
- Interest owed
- Provisions for future losses or debts

Direct Personnel Costs Categories

- Employee costs (or equivalent)
 - basic remuneration = basic salary (*incl. Salary, social Security, Taxes, other*) + complements (*13th Salary, night shifts, hazardous work complement, variable*)
 - for non-profit legal entities: additional remuneration ('bonus payments')
- natural persons working under a direct contract
- personnel seconded by a third party
- 'beneficiaries that are SMEs for their owners (or natural persons) not receiving a salary'

What is person time? (PDays / Pmonths)

One Person working for 3 months (Full time)

=

3 Persons working for 1 month (Full time)

=

6 Persons working for ½ month

ANY DURATION

Working Time Remuneration

- Only hours worked on the project can be charged.
- **Timesheets:** Working time recorded till the end.
- Real **productive** hours not estimations.
- Some activities **not** productive hours :
 - *Training (not project related)*
 - *Internal meetings (not project related)*
- Some activities not productive

{hourly rate * number of actual hours worked on the project}

Example:

Hourly Rate = 40 €

1.600 Annual Prod. Hours: 800 h for this project

$40 * 800 \text{ h} = 32.000 + 2000 \text{ € (Additional Rem. as PM)} = 34.000 \text{ €}$

Annual Productive Hours Calculation

1. **Fixed 1.720 hours** for persons working full time
2. **Individual Annual Productive hours:** total hours worked by the person in the year for the beneficiary
{ annual workable hours (empl. contract, labour, national law) + overtime - absences (sick leave /special leave) }
3. **Standard Annual Productive hours:** Annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices

Explained in detail in Annotated Grant Agreement (p.55)

Hourly Rate Calculation

$$\{ \text{Hourly Rate} = \text{Annual personnel costs} / \text{Annual productive hours} \}$$

- Calculated by **financial year** and has to be made always **on the basis of full financial years**.

If at end of reporting period financial year not closed yet, figures of the last closed financial year available must be used to declare the costs for those months.

01/10/2015

31/03/2017



hourly rate for 2016 used

Project with 1 reporting period of 18 months from 1.10.2015 to 31.3.2017. The beneficiary's financial year closes on 31 December of every year.

For the period from 1.10.2015 to 31.12.2015 - on the basis of year 2015

For the period from 1.01.2016 to 31.12.2016 – on the basis of year 2016

For the period from 1.01.2017 to 31.03.2017 - used the hourly rate from year 2016

Persons Working Exclusively for the Project

regardless if full-time or part-time employees:

- **DECLARATION** (AGA, art.18) on exclusive work for the action, to confirm that the person worked exclusively for the action, either:
 - during whole reporting period or
 - during uninterrupted time-period, covering at least a full natural month within the reporting period.

Sporadic or random periods of 'exclusive' dedication can NOT be subject of a declaration.

If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time records are needed for the period of random work.

SME Owners NOT receiving a salary

SME owners / natural persons / no salary

YES: owners compensated by other means than a salary (*e.g. dividends, service contracts between the company and the owner, etc.*)

NO: owners receiving a salary (*registered as such in the accounts of the SME*)

HOW:

Hourly Rate = { EUR 4,650 / 143 hours } X {country-specific correction coefficient}

In TR = 86,6%

[SEE: Annex 2a \(Additional information on the estimated budget\): V4.0 – 31.08.2016](#)

Travel

- **Transportation**
 - Number of Trips
 - Destinations
 - Duration of travels
 - Number of people traveling
- **Flat Subsistence Allowance**
 - *eligible if in line with beneficiary's usual practices on travel*

See: http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence_en.pdf

Equipment

- Always verify specific rules
- Depreciation (not full cost)
- According to National Legislation

Example:

- Every item has an economic life (e.g. 4 years according to National Legislation in Greece)
- After 4 years its value = 0
- Losing 25% of its value every year
- If the project lasts 4 years you can charge the full cost



Other Direct Costs

- Travel and Subsistence
- Equipment (only Depreciation)
- Purchase of Goods and Services

Durable Equipment

Spectrum Analyser	Purchase Cost:	40,000.00 Euro
	Depreciation Period:	3 Years
	Annual Depreciation:	13,333.33 Euro
<hr/>		
	Project Start:	01 January 2015
	Project End:	31 December 2017
<hr/>		
	Equipment bought:	01 July 2015
<hr/>		
	Cost Claim Project Year 1:	6,666.67 Euro
	Cost Claim Project Year 2:	13,333.33 Euro
	Cost Claim Project Year 3:	13,333.33 Euro
	Total Cost claim:	33,333.33 Euro

Durable Equipment

Spectrum Analyser	Purchase Cost:	40,000.00 Euro
	Depreciation Period:	3 Years
	Annual Depreciation:	13,333.33 Euro
<hr/>		
	Project Start:	01 January 2015
	Project End:	31 December 2017
<hr/>		
	Equipment bought:	01 January 2014
<hr/>		
	Cost Claim Project Year 1:	13,333.33 Euro
	Cost Claim Project Year 2:	13,333.33 Euro
	Cost Claim Project Year 3:	Euro
<hr/>		
	Total Cost claim:	26,666.67 Euro

Other Costs

- Short Consultancies
- Catering
- Printing services
- Etc.

Some times these can go to subcontracting

**ALL MUST BE DETAILED AND
JUSTIFIED**

Subcontracting

- Always check specific rules
- Business Conditions
- Only small amount
($<15-20\%$ of the partner's budget)
- Avoid it if you can

ANNEX 1:

Description of Tasks, Costs Estimation, Need justification

ANNEX 2: Estimated Costs

EXAMPLES: *Contract for part of the research //*
Contract for Test and analysis of a new product

Indirect Costs (Overheads)

- Necessary for every functioning organisation
- Connected to productive personnel
 - Utilities
 - Office costs
 - Communications
- How to determine the % ?
 - FLAT 25% of ALL Direct costs (*except Subcontracting*)
- They do NOT have to be justified

Budget Flexibility

- At reporting costs may differ from estimated eligible costs.
- Budget Transfer between Beneficiaries or between budget categories without Amendment

If incurred costs < estimated, difference to another partner or budget category.

If significant change in planned work, amendment is needed

Funding Limits

- One project = one rate for all activities
- 100% of the eligible costs for **Research Actions (RIA)**
- Maximum of 70% for **Innovation actions (IA)**
(non-profit organisations – maximum of 100%)
- 100% for **Coordination and Support (CIA)**
- Defined in the Work Programme



Phases of Budget Building

1. Define the total cost
2. Partner distribution draft
3. Prepare WBS and PM / WP
4. Determine Personnel Costs
5. Define Other Costs
6. Circulate budget to partners
7. Negotiate and finalise

Define the Final Budget

- Make a rough evaluation
- Based on restrictions
 - Call budget
 - Previous Projects
 - Ask your NCP about competition
- Must be realistic
- Start moderate so you can increase it during preparation
- Negotiate early with partners
 - Distribute your proposal in the beginning
 - Even if you have not all the partners, you know the roles

Personel Costs

Start from Work Breakdown Structure (WBS)

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	WP9	Total
COORD	17,0	3,0	26,0	0,0	2,0	0,0	8,0	0,0	2,0	58
1/HB	1,0	4,0	12,0	10,0	3,0	1,0	0,0	14,0	1,0	46
2/DOT	2,0	2,0	0,0	0,0	0,0	0,0	32,0	0,0	6,0	42
3/FU	3,0	1,0	0,0	0,0	17,0	17,0	2,0	0,0	2,0	42
4/PE	1,0	0,0	0,0	3,0	10,5	9,0	5,0	0,0	5,5	34
4/JMU	2,0	21,0	2,5	1,0	2,0	0,0	2,0	4,5	4,0	39
5/PMT	1,0	0,0	2,0	0,0	0,0	0,0	0,0	0,0	12,0	15
6/TM	1,0	2,0	2,0	5,0	2,0	0,0	2,0	4,0	2,0	20
7/HS	2,0	0,0	6,0	18,0	0,0	0,0	2,0	2,0	2,0	32
Total	30,0	33,0	50,5	37,0	36,5	27,0	53,0	24,5	36,5	328



Horizon 2020 Personnel Cost Model

Average Person Month Cost = weighted mean value of the different profiles



Profile	PM Cost	PM	Total
Director	8.000,00 €	2	16.000,00 €
Senior Researcher	5.000,00 €	8	40.000,00 €
Junior Researcher	2.500,00 €	10	25.000,00 €
		20	81.000,00 €
	AVERAGE COST:		4.050,00 €

Taken into account only for Proposal Phase. During Project Implementation you need actual costs.

Why is it important ?

- Wrong assumptions lead to problems
- Poor planning creates uncertainty
- Practical Example



Completing the Budget table

Participant	Country	(A) Direct personnel costs/ €	(B) Other direct costs/ €	(C) Direct costs of subcontracting/ €	(D) Direct costs of providing financial support to third parties/ €	(E) Costs of in kind contributions not used on the beneficiary's premises / €	(F) Indirect costs/ € (=0,25(A+B-E))	(G) Special unit costs covering direct and indirect costs	(H) Total estimated eligible costs/ € (A+B+C+D+F+G)	(I) Reimbursement rate	(J) Max.grant/ € (=H*I)	(K) Requested grant/ €
Total												



How to use the template (Columns A, B)

	PM Rating	(A) Direct Personnel Costs	Travel costs	Equipment	Other	(B) Other Direct Costs	(B)/(A) %
1/COORD	4.500,00 €	261.000,00 €	21.600,00 €	1.500,00 €	5.000,00 €	28.100,00 €	10,77%
NOVI	7.872,00 €	362.112,00 €	28.800,00 €	1.500,00 €	5.000,00 €	35.300,00 €	9,75%
PAR3	3.500,00 €	147.000,00 €	19.200,00 €	1.200,00 €	1.500,00 €	21.900,00 €	14,90%
PAR4	4.000,00 €	168.000,00 €	16.000,00 €	1.500,00 €	4.500,00 €	22.000,00 €	13,10%
PAR5	4.500,00 €	153.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	14,05%
PAR6	4.516,00 €	176.124,00 €	19.575,00 €	3.400,00 €	2.000,00 €	24.975,00 €	14,18%
PAR7	4.060,91 €	60.913,61 €	18.000,00 €	2.900,00 €	3.400,00 €	24.300,00 €	39,89%
PAR8	4.500,00 €	90.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	23,89%
PAR9	7.500,00 €	240.000,00 €	20.000,00 €	2.000,00 €	1.500,00 €	23.500,00 €	9,79%
Total		€ 1.658.149,61	€ 179.175,00	€ 18.000,00	€ 25.900,00	€ 223.075,00	

How to use the template (Columns C – I)

(C) Direct Costs of Subcontracting	(D) Direct costs of providing financial support to 3rd parties	(E) Costs of in-kind contributions not used on the beneficiary's premises	(F) Indirect costs $0.25*(A+B-E)$	(G) Special unit covering direct & indirect costs	(H) Total estimated eligible $A+B+C+D+F+G$	(I) Reimbursement rate	Max grant H*I	Requested Grant
0,00 €	0,00 €	0,00 €	72.275,00 €	0,00 €	361.375,00 €	100,00%	361.375,00 €	361.375,00 €
0,00 €	0,00 €	0,00 €	99.353,00 €	0,00 €	496.765,00 €	100,00%	496.765,00 €	496.765,00 €
0,00 €	0,00 €	0,00 €	42.225,00 €	0,00 €	211.125,00 €	100,00%	211.125,00 €	211.125,00 €
0,00 €	0,00 €	0,00 €	47.500,00 €	0,00 €	237.500,00 €	100,00%	237.500,00 €	237.500,00 €
0,00 €	0,00 €	0,00 €	43.625,00 €	0,00 €	218.125,00 €	100,00%	218.125,00 €	218.125,00 €
0,00 €	0,00 €	0,00 €	50.274,75 €	0,00 €	251.373,75 €	100,00%	251.373,75 €	251.373,75 €
0,00 €	0,00 €	0,00 €	21.303,40 €	0,00 €	106.517,02 €	100,00%	106.517,02 €	106.517,02 €
0,00 €	0,00 €	0,00 €	27.875,00 €	0,00 €	139.375,00 €	100,00%	139.375,00 €	139.375,00 €
0,00 €	0,00 €	0,00 €	65.875,00 €	0,00 €	329.375,00 €	100,00%	329.375,00 €	329.375,00 €
€ 0,00	€ 0,00	€ 0,00	€ 470.306,15	€ 0,00	€ 2.351.530,77		TOTAL	€ 2.351.530,77

Certificate on the Financial statements (Audit): Requested Grant > 325.000 €



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Teşekkür ederim!

Thank you!

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